

Message Text

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PAGE 01 BUENOS 04113 301801Z
ACTION XMB-04

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FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 5875

C O N F I D E N T I A L BUENOS AIRES 4113

E.O. 11652: GDS
TAGS: BPRO, AR
SUBJECT: BIR CFF/BBG

REF: STATE 116465

1. EMBASSY HAS BEEN FOLLOWING DEVELOPMENT OF BANCO DE INTERCAMBIO REGIONAL (BIR) FOR WELL OVER A YEAR NOW AND IS QUITE IMPRESSED BY THE AGGRESSIVE GROWTH DISPLAYED BY THIS BANK. WE ARE TOLD THAT THE BANK IS CURRENTLY NUMBER THREE IN THE PRIVATE SECTOR IN DEPOSITS IN ARGENTINA AND HAS THE HIGHEST CAPITALIZATION OF ANY PRIVATE BANK IN ARGENTINA. THIS COMPARES TO A RANKING OF 17 THREE YEARS AGO IN TERMS OF DEPOSITS.

2. CONTACTS IN THE LOCAL BANKING COMMUNITY ARE WORRIED ABOUT THE RAPID PACE OF GROWTH OF THE BIR, AND EXPRESSED GRAVE DOUBTS ABOUT THE SOUNDNESS OF THE BIR'S MARKETING METHODOLOGY AND PORTFOLIO. DOUBTS ARE ALSO EXPRESSED WITH REFERENCE TO ACTIVITIES OF RAFAEL TROZZO, BANK PRESIDENT, WHOSE PRIMARY INTEREST APPEARS TO BE POLITICS AND NOT BANKING. IN THEIR VIEW, TROZZO HAS BEEN ACTING MUCH AS IF WERE RUNNING FOR OFFICE IN ARGENTINA. REPORTEDLY HE WISHES TO BE THE NEXT MINISTER OF ECONOMY.

3. MANY CRITICS OF THE BIR AND OF TROZZO CITE ONLY
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AN UNEASY FEELING ABOUT HIM AND HIS BANK, LEADING ONE TO BELIEVE THAT THEIR ATTITUDE MAY CONTAIN A SIGNIFICANT AMOUNT OF PROFESSIONAL ENVY OVER TROZZO'S SUCCESS. OTHER BANKERS DO HOWEVER MAKE SUBSTANTIVE AND NEGATIVE ALLEGATIONS ABOUT THE STATE OF THE BIR.

4. THERE FOLLOWS PARAPHRASES OF TWO OF OUR MANY

RECENT CONVERSATIONS WITH CHIEF EXECUTIVE OFFICERS OF
LOCAL BANKS ON THE SUBJECT OF THE BIR.

BEGIN PARAPHRASE:

BANK 1: YOU SHOULD THINK HARD BEFORE GIVING THE BIR A
LINE OF CREDIT. IT'S AN INSTINCTIVE RESERVATION I
HAVE ABOUT THEM. NEVERTHELESS, IF THEY WERE REQUESTING
A LINE OF CREDIT IT WOULD BE DIFFICULT TO REFUSE THEM
ON THE BASIS OF THE FINANCIAL RECORD.

BANK 2: I HAVE NO FAITH IN THAT BANK FROM A MANAGERIAL
OR ETHICAL POINT OF VIEW. TROZZO DOMINATES THE BOARD
AND THE MANAGEMENT TO AN EXCESSIVE DEGREE; HE IS
UNCHALLENGED IN THE ORGANIZATION; THIS IS BAD FOR THE
BANK. THEIR MARKETING STRATEGY IS WRONG. THEY ARE
OPENING BRANCHES EVERYWHERE. BRANCHES ARE TOO
EXPENSIVE. IT'S THE WRONG MARKETING STRATEGY FOR THE
MOMENT. THEIR PORTFOLIO CONCENTRATION IS IN
HIGH YIELD, HIGH RISK AREA, PARTICULARLY IN THE
SMALL RETAIL OUTLET TYPE OF FIRM. TROZZO CAPITALIZES
HIS BANK BY ASKING HIS SMALLER CUSTOMERS TO SUBSCRIBE
TO SHARES IN THE BANK. I'D STAY AWAY FROM IT. END
PARAPHRASE.

5. EMBASSY PERCEIVES NO POLITICAL REASONS FOR
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NOT GRANTING LOAN.
CASTRO

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NNN

Message Attributes

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